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ABSTRACT

Despite claims that benefits for the needy have not been reduced, the Reagan Administration's final budget for fiscal year 1990 is marked by substantial reductions in programs for the poor. Actual spending for low-income programs would be sliced $6.75 billion below current levels. Medicaid, which provides health care coverage for poor families with children and poor elderly and disabled people, would bear the largest reduction of any program, with a cut of $1.66 billion. The reductions would also be substantial in non-entitlement programs for the poor, a group that has already borne some of the deepest reductions of the past eight years. The new proposals would bring the total reduction in appropriations for low-income non-entitlement programs to 61 percent from fiscal year 1981. The following programs would experience significant reductions: (1) Medicaid; (2) heating and cooling assistance; (3) low-income housing; (4) Aid to Families with Dependent Children (AFDC) and child support enforcement; (5) food assistance; and (6) legal services and community action. The following programs would have their funding terminated, reduced or frozen: (1) refugee assistance; (2) funding for construction of health facilities on Indian reservations; (3) project Head Start; and (4) foster care and child welfare. Although not limited to low-income households, reductions in the following programs have significant impact on them: (1) mass transit; (2) drug abuse; and (3) Acquired Immune Deficiency Syndrome (AIDS). Statistical data are included on three tables. (FMW)

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ANALYSIS OF FY 1990 BUDGET PROPOSALS AND THEIR IMPACT ON LOW INCOME PROGRAMS

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ANALYSIS OF FY 1990 BUDGET PROPOSALS AND THEIR IMPACT ON LOW INCOME PROGRAMS

Despite claims not to have reduced benefits for the needy, the Reagan Administration's final budget is marked by substantial reductions in programs for poor Americans.

Actual spending (or outlays) for low income programs would be sliced $6.75 billion below the levels needed to maintain current levels of service in these programs (see Table 2).[1]

Medicaid, which provides health care coverage for poor families with children and poor elderly and disabled people, would bear the largest reduction of any low income program. Medicaid would be cut $1.66 billion below the amounts required under current law. The principal Medicaid reduction, a $1.1 billion cut in federal support for state Medicaid programs, was termed "unjustified and unsupportable" by Health and Human Services Secretary Otis Bowen in a November 29, 1988 letter to OMB Director Joseph Wright. Bowen warned that the cut "would substantially restrict access" of poor households to health care.

The reductions would also be substantial in non-entitlement (or discretionary) programs for the poor, a group of programs that has already borne some of the deepest reductions of the past eight years. Appropriations for low income programs that are not entitlements would be cut $3.65 billion, or 9.3 percent, below current services levels (see Table 1).

Total appropriations for low income non-entitlement programs have already fallen 57 percent from fiscal year 1981 (when President Reagan took office) to fiscal year 1989, after adjustment for inflation (If subsidized housing is excluded, the reduction in the remaining low income discretionary programs is 34 percent.)

These new proposals would, if enacted, bring the total reduction in appropriations for low income non-entitlement programs to 61 percent from fiscal 1981 to fiscal 1990, after adjustment for inflation (41 percent, if subsidized housing is excluded).

While President Reagan will soon leave office, his final budget is of some importance, because it provides the framework from which the Bush Administration will work in fashioning its budget proposals. Moreover, since the Bush Administration (like

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1. For low income entitlement programs, reductions from current services levels are the reductions shown by OMB in its budget tables. For low income non-entitlement (or discretionary) programs, reductions from current services are the amounts by which the budget request falls below the current services estimate prepared by the Congressional Budget Office in January 1989.

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the Reagan Administration) has indicated it will be unwilling to propose tax increases, and since it plans to propose an FY 1990 defense spending level only about $2 billion below that in the Reagan budget, President Bush is unlikely to find the money to restore many of the domestic cuts included in the final Reagan budget.

Low Income Program Areas That Would Experience Significant Reductions

Medicaid

As noted, the deepest reductions would come in Medicaid, which would be sliced $1.66 billion. The largest of the proposed Medicaid cuts would reduce federal payments for state Medicaid programs by three percent in fiscal year 1990 (rising to 4.5 percent by fiscal year 1992). This reduction, which would reduce federal Medicaid costs by $1.1 billion next year, is similar to Medicaid cuts enacted in 1981 and in place through fiscal year 1984. Various reports during that period found the reductions had led many states to restrict Medicaid eligibility (so that some poor households no longer qualified for Medicaid) or reduce the medical services covered under the program. Congress allowed these cuts to expire after fiscal 1984. This proposal would require the enactment of new legislation by Congress.

The decision of the Office of Management and Budget (OMB) to propose reinstating these cuts drew a vigorous protest from HHS Secretary Otis Bowen, who wrote to OMB Director Joseph Wright on November 29:

> The proposed policy of Medicaid reductions...is unjustified and unsupportable. Congress has recently enacted several Medicaid expansions which would make it difficult for states to live within these reductions. These include expanded coverage for pregnant women and infants, transition benefits enacted as part of welfare reform, and the new Medicaid buy-in requirements which were part of the Catastrophic Health Insurance Act. Second, in response to [the federal Medicaid] cuts [enacted in 1981] and subsequent budget pressures in their own programs, states have already developed cost containment strategies. It is unrealistic to expect states to be able to absorb additional reductions in Federal support of the magnitude proposed....
>
> Third, even at current levels of Federal support, low Medicaid fees often compromise beneficiary access especially in such critical areas as infant mortality, prenatal care, child care screening and assessment, and rural health. The proposed cuts would substantially restrict access. In sum, we strongly object to this proposed as an erosion of this Administration's long-standing commitment to health care for the poor.

This Medicaid reduction would be accompanied by a series of other Medicaid cuts, most of which would further reduce federal support for health care costs. The other major legislative initiative would freeze, at the FY 1989 level, federal matching funds for state administrative costs incurred in operating the Medicaid program in FY 1990. (In the years after FY 1990, federal matching funds for these costs would be allowed to rise no faster than the general inflation rate.) In addition, "enhanced" federal matching rates (i.e., matching rates of more than 50 percent) that now apply to

certain state administrative activities (such as installing a computer system) would be ended.[2] The effect of these proposals would be to shift substantial costs from the federal government to the states by compelling states to bear a larger portion of Medicaid administrative costs. (The budget also includes similar proposals to reduce federal support for state administrative costs in operating the AFDC and food stamp programs.)

These proposals would essentially place states in the position of having to increase state funds for Medicaid to replace the lost federal funds -- or else having to cut back on Medicaid services provided to their low income citizens in order to free up funds to replace the federal support that had been withdrawn.

The budget also proposes a number of regulatory changes to reduce federal Medicaid costs further. Included are proposed regulatory changes that would: reduce maximum income eligibility levels for certain one-person households under the "Medically Needy" component of Medicaid (which provides Medicaid coverage to some poor and near-poor households with high medical costs); promote outpatient, same-day surgery for Medicaid recipients; and limit states' ability to use donations as part of the state share of Medicaid costs.

Heating and Cooling Assistance

Numerous other low income programs would be reduced as well. Among the programs that would be cut most sharply are programs that help low income households pay their heating and cooling bills and weatherize their homes.

- The low income energy assistance program would be cut sharply for the third year in a row. Appropriations for this program were reduced from $1.822 billion in FY 1987 to $1.532 billion in FY 1988 and to $1.383 billion in FY 1989. The FY 1990 budget proposal would further slice the program's funding level to $1.1 billion. This would represent a reduction, after adjusting for inflation, of 24 percent in FY 1990, on top of a 30 percent reduction (after inflation) between FY 1987 and FY 1989.

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2. The descriptions in the budget documents of the proposed reductions in federal support for state administrative costs are somewhat vague. Based on the description in the OMB publication *Major Policy Initiatives: Fiscal Year 1990*, it appears the proposal would work as follows. Federal funding for state Medicaid administrative costs would be converted into a block grant. Total funding for the block grant in FY 1990 would equal 50 percent of all state Medicaid administrative costs in FY 1989, including those costs matched by the federal government at a rate of more than 50 percent in FY 1989. (Thus, the total amount of federal funds provided to states for administrative costs in FY 1990 would actually be somewhat below the amount of federal funds provided in FY 1989.) The total amount of federal funds provided under the block grant in years after FY 1990 would equal the total amount provided in FY 1990, adjusted each year by the "GNP deflator". The "GNP deflator" is a measure of inflation in the economy as a whole.

- In addition, the low income weatherization program, funded at a $161 million level in FY 1989, would be terminated.

Low Income Housing

As in previous years, the Administration's budget targets low income housing programs for reductions.

- Appropriations for subsidized housing would be reduced more than $400 million below current services levels. Part of the reduction in FY 1990 appropriations would stem from increased reliance on housing vouchers, which are less expensive than some other forms of housing assistance; the number of new households assisted would actually rise somewhat over FY 1989 levels.

  However, the Administration's subsidized housing proposal also reflects a sharp reduction in funds for modernization of public housing units in need of repair or rehabilitation, from $1.6 billion in FY 1989 to $1 billion in FY 1990. (The Administration is proposing to require state and local governments to provide $250 million in matching public housing modernization funds. In some areas this would stretch the funds further, but in areas where matching funds could not be found, public housing modernization could come to a halt -- and many units needing rehabilitation could likely remain vacant while public housing waiting lists grew longer.)

- Funding for housing loans under the Housing Assistance Program for the Elderly and Handicapped would be reduced. The number of housing units to be provided under this program, the only surviving housing construction program, would be reduced from 10,300 in FY 1989 to 7,000 in FY 1990 -- a reduction of 32 percent.

- Rural housing loan and grant programs, that provided loans of $1.8 billion in FY 1989, would be replaced with a $360 million rural housing voucher program. The proposed budget would provide vouchers for 22,000 additional rural households in FY 1990, half the number of new households added in FY 1989.

- Funding for the Community Development Block Grant program, an important source of funds for housing in low income areas, would also be reduced.

- Funding for the Nehemiah program, which has proven successful in New York at improving prospects for first-time homebuyers with low or moderate incomes, would be ended. Moreover, the budget proposes to rescind the $20 million that was appropriated for this promising program in FY 1989.

In addition, appropriations for programs for the homeless authorized under the Stewart B. McKinney Homeless Assistance Act would be funded below FY 1989 levels. McKinney programs, funded at $378 million in FY 1989, would receive only $352 million in new appropriations in FY 1990. Funding for these programs would fall 12 percent below current service levels. Moreover, the $352 million requested would equal only half of the $683 million authorized for these programs in FY 1990 by the McKinney Act.

- The Emergency Shelter Grants program, authorized for $120 million in FY 1989 and $125 million in FY 1990 under the McKinney Act, and actually funded at $47 million in FY 1989, would be terminated.

- Funding for the supportive housing demonstration program would be reduced from $80 million in FY 1989 to $71 million in FY 1990.

- The budget would expand one program for the homeless. It includes $75 million for 2,000 single room occupancy units. This is $25 million above the level authorized for this activity under the McKinney Act.

Emergency food assistance programs to assist the homeless and other poor families and individuals would also be reduced.

- The budget would terminate the $50 million annual appropriation that helps defray the costs borne by state and local agencies, and by food banks and other emergency food providers, in transporting, storing, and distributing USDA surplus foods and other food items for the needy. Without this support, some emergency food providers would likely have to scale back their operations.

- The budget freezes funds for the Emergency Food and Shelter Program at $114 million. This program was funded at $125 million level in FY 1987. The $114 million level would represent a reduction of 19 percent, after adjusting for inflation, between FY 1987 and FY 1990. The Emergency Food and Shelter Program provides funds to soup kitchens and shelters for the homeless.

AFDC and Child Support Enforcement

The budget also includes a series of reductions in federal support to states for the Aid to Families with Dependent Children (AFDC) program. The reductions would be made by:

- Requiring states to pay error rate penalties *prospectively*; this means that the federal government would estimate the error rate penalties for which it expected a state to be liable for a given fiscal year and then collect the money from the state at the start of the fiscal year, before the errors actually occurred.[3]

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3. HHS budget documents also state that a legislative proposal will be submitted to overhaul the AFDC quality control sanction system. The documents state:

(continued...)

- Freezing, at the FY 1989 level, federal matching funds for state administrative costs in operating the AFDC program and eliminating the "enhanced" matching rates (i.e., matching rates of more than 50 percent) that now apply to certain state administrative costs. (This is similar to the proposal to reduce the federal share of state Medicaid administrative costs; for more detail, see footnote 2 at the bottom of page 3 of this analysis).

These two changes would save the federal government -- and cost the states -- about $200 million in FY 1990.

In many states in which governors or legislatures proved unwilling to increase overall state funding for AFDC to make up for the reduction in federal support, the likely result would be an offsetting reduction in AFDC benefit levels for poor families with children. AFDC benefit levels are the aspect of state welfare budgets that can most easily be controlled.

AFDC benefits have already fallen 33 percent since 1970 in the median state, after adjustment for inflation, a drop that has contributed to increased poverty rates among children. No other segment of society has experienced such an income decline over this period.

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3. (...continued)

> "Two legislative changes are proposed for AFDC Quality Control (QC): replacement of the current 3 percent threshold for calculating state liabilities with a three tiered system similar to that recently enacted for Food Stamps; and prospective collection of state liabilities beginning with those incurred for 1990, as is currently done for Medicaid QC liabilities.
>
> "Under the three tier approach, states with error rates below 3 percent would receive bonus incentive payments. States with error rates between 3 and approximately 6 percent would submit a plan to reduce erroneous payments. Only those states with error rates in excess of approximately 6 percent would be penalized for the amount between their actual rate and the 3 percent threshold."

Despite the statement in the HHS budget documents that this system would be like that recently enacted for food stamps, it actually differs from the new food stamp system in several crucial ways. In food stamps, the only states penalized are those whose error rates exceed the national average error rate by more than one percentage point, an error rate level significantly higher than the 6 percent threshold proposed by HHS. In addition, under the new food stamp system, the states that are penalized are liable for the amount between their actual error rate and the national average rate plus one percentage point. By contrast, under the new HHS proposal, states would be liable for the amount by which their actual error rates exceed three percent. The new food stamp system also includes underpayments as well as overpayments. Underpayments do not appear to be included under the HHS proposal, although the budget documents are not clear on this matter.

In addition, the budget also includes a proposal to revise the recently enacted welfare reform law in a manner that would apparently reduce the federal support the law is supposed to provide for welfare-to-work programs in some states.[4]

Finally, changes that could affect both states and low income households are proposed for the child support enforcement program.

- Federal incentive payments for state child support programs would be eliminated for those states that collect less than $1.40 for each dollar spent administering the program.

- In addition, as a condition for receipt of food stamps or Supplemental Security Income benefits by non-AFDC families with an absent parent, states would be required to routinely refer information on such families to state child support agencies and to require the families' cooperation in child support enforcement activities. While all current child support collected on behalf of these families would be paid to the families, a portion of any child support arrearages collected would be retained by the state and federal governments "to offset the cost of SSI and/or Food Stamp payments."

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4. Under the new welfare reform law, $800 million in federal funds must be made available to the states in FY 1990 for welfare-to-work programs. Each state is entitled, under an allocation formula, to a specified share of the $800 million, provided the state actually incurs costs and provides the requisite state matching funds.

The Reagan budget, however, reduces the $800 million funding level for FY 1990 to $350 million, under the assumption that $350 million is all that the states will use for these welfare-to-work programs next year. While the $350 million estimate may prove to be an accurate estimate of the total amount of federal funds that states will actually use in FY 1990, the specific proposal included in the Reagan budget would still adversely affect some states. This is because it would have the effect of lowering the amount of funds made available to the states. Each state would apparently be entitled to its share of $350 million, rather than to its share of $800 million. Those states that already have large programs up and running and that consequently might be able to use their full share of the $800 million (states such as California and Massachusetts) would apparently receive far less under the Reagan budget proposal than they are supposed to receive under the welfare reform law.

Officials of the Office of Management and Budget and the Department of Health and Human Services maintain that they did not intend their new proposal to result in reduced funding for any state. Some Congressional staff believe that the Administration may simply have drafted its proposal improperly. Nevertheless, as drafted, it would appear to present a problem for some states.

Food Assistance Programs

In addition, the Administration is also proposing large reductions in food assistance programs.

- Funding for the Special Supplemental Food Program for Women, Infants and Children (WIC) would be set at $1.961 billion, some $47 million below the $2.008 billion CBO current services level for FY 1990. Only about half of those eligible for WIC are currently being served by the program.

- More than $800 million would be cut from the school lunch and other child nutrition programs by ending federal subsidies for school breakfast, school lunch and child care food program meals served to children whose families have incomes above 185 percent of the poverty line (currently $17,927 for a family of three). The programs currently provide free meals to children whose families have incomes up to 130 percent of the poverty line, meals at substantially reduced prices to children in families with incomes between 130 and 185 percent of the poverty line, and modest subsidies to children in families above 185 percent of poverty.

  This proposal is similar to proposals advance in several previous Reagan budgets. The Congressional Research Service analyzed similar proposals in the past and concluded that eliminating federal support for meals served to children with incomes over 185 percent of the poverty line would create a significant risk that substantial numbers of schools might drop out of the school lunch program. When schools drop out of the program, poor children generally can no longer receive free school meals.

- Another budget proposal would limit federal funding for state food stamp administrative costs incurred in FY 1990 to the amount of federal funds provided to states for this purpose in FY 1989. This proposal, as well as an accompanying proposal to eliminate all "enhanced" matching rates for state food stamp administrative costs, is similar to proposals included in the budget for AFDC and Medicaid (see footnote 2 on page 3 for more details).

  Federal matching funds for food stamp employment, and training programs operated by the states would also be reduced. Matching funds for state employment and training programs would be capped at $30 million, a change that would affect those states (such as Massachusetts) that have the most extensive food stamp employment and training programs and qualify for the largest amounts of matching funds. The cap would not apply to state costs incurred in reimbursing participant expenses.

- Among those hit hardest by the proposal reductions in food assistance programs would be low income households in Puerto Rico. The program that provides food assistance to these households, which was already cut sharply in the early 1980's, would be reduced another $112 million, or 12 percent, below the current services level.

Legal Services and Community Action Programs

Programs that provide legal services to low income people who can not afford other legal representation and that provide funding for local anti-poverty agencies would be terminated.

- The legal services program would be terminated. Legal services funding was $309 million in FY 1989.

- The Community Services Block Grant program, a major source of funding for local anti-poverty agencies (primarily community action agencies), would be terminated. Some $381 million was appropriated for these grants in FY 1989.

Other Low Income Programs

A series of other low income programs would have their funding terminated, reduced or frozen.

- The refugee assistance programs, which provide assistance to impoverished refugee households who are not eligible for other public assistance programs due to their refugee status, would be slashed from $382 million in FY 1989 to $242 million in FY 1990, a 39 percent reduction after inflation. In many areas, this would result in sharp reductions in the number of months for which refugees could receive aid, regardless of whether they remained in poverty. This was another reduction that was appealed unsuccessfully by HHS Secretary Bowen.

- Funding for construction of health facilities on Indian reservations would be terminated. The program received $62 million in FY 1989.

- The Head Start program would be frozen at the FY 1989 level, representing a reduction of $51 million below the level that the Congressional Budget Office (CBO) estimates is needed to keep pace with inflation. Head Start currently serves fewer than one in five of the low income children eligible for it.

- Funding for the state administrative expenses in the Title IV-E Foster Care and Adoption Assistance entitlement programs would be merged into a block grant with funding for the Title IV-B Child Welfare Services program and the Title IV-E Independent Living initiative. The proposed Comprehensive Child Welfare Services block grant would then be funded at a level some $88 million below the OMB current services baseline levels for all of the programs in the package. While Foster Care and Adoption Assistance *benefits* would not be affected by these proposals, federal payments for state administrative expenses for these programs for FY 1990 and beyond would lose their entitlement status and would be limited to the amount appropriated by Congress each year.

Other Domestic Programs Facing Reductions

The budget also includes reductions in a number of programs that, while not limited to low income households, are nevertheless of importance to them.

Mass Transit

For example, the budget would substantially reduce funding for mass transit. This would reduce the ability of localities to build mass transit lines that can better connect poor individuals in the depressed cores of central cities with job opportunities in suburban areas. It would also be likely to result in fare increases in many areas. This would be expected to affect low and moderate income families disproportionately since they tend to make greater use of mass transit than do more affluent households.

Drug Programs

The budget claims to include increases in anti-drug abuse programs. Yet appropriations for these programs would actually be reduced somewhat below the FY 1989 level, after adjustment for inflation. (As the data on page 39 of OMB's *Major Policy Initiatives FY 1990* reveals, total appropriations for these programs would rise 3.3 percent, or less than the inflation rate).

Moreover, some anti-drug programs, such as the HHS programs providing grants to states for the prevention, treatment, and rehabilitation of substance abuse and mental illness, would be reduced below the FY 1989 level, even *before* adjusting for inflation. Secretary Bowen protested this cut, unsuccessfully, in his November 29 letter to OMB Director Wright.

AIDS

The Administration is highlighting the increase in AIDS funding contained in the budget. However, this increase -- $313 million -- equals less than half of the $654 million increase that Secretary Bowen told OMB was needed to carry out the President's plan to fight AIDS, as recommended by the Presidential Commission on the AIDS virus. Bowen appealed for the additional funds. This appeal, too, was turned down.

January 23, 1989

TABLE 1: PROPOSED CHANGES IN LOW INCOME FUNDING, FY 1989 - FY 1990
(Budget Authority, in millions)

ENTITLEMENTS & MANDATORY SPENDING	CBO FY 1989 ESTIMATED BA	OMB FY 1990 BASELINE BA 1/	FY 1990 PROPOSED BA	DIFFERENCE FROM BASELINE	PERCENT CHANGE
			(in millions)		
AFDC & CHILD SUPPORT	10,961	11,172	10,822	(350)	-3.1%
EARNED INCOME TAX CREDIT	3,809	3,841	3,841	0	0.0%
FOOD STAMPS	12,691	13,270	13,185	(85)	-0.6%
FOSTER CARE & ADOPTION ASSISTANCE 2/	1,120	1,297	715	(582)	-44.9%
HUNGER PREVENTION COMMODITIES	160	160	160	0	0.0%
JOB TRAINING FOR WELFARE RECIPIENTS	0	350	350	0	0.0%
MEDICAID	34,207	37,616	35,961	(1,655)	-4.4%
SOCIAL SERVICES BLOCK GRANT (TITLE XX)	2,700	2,700	2,700	0	0.0%
SUPPLEMENTARY SECURITY INCOME (SSI)	12,458	12,062	12,052	(10)	-0.1%
VETERANS PENSIONS	3,864	3,989	3,989	0	0.0%
Total Entitlements	81,970	86,457	83,775	(2,682)	-3.1%

DISCRETIONARY LOW INCOME PROGRAMS	CBO FY 1989 ESTIMATED BA	CBO FY 1990 BASELINE BA	FY 1990 PROPOSED BA	DIFFERENCE FROM BASELINE	PERCENT CHANGE
EDUCATION					
COMPENSATORY EDUCATION (CHAPTER 1)	4,579	4,767	4,730	(37)	-0.8%
EDUCATION FOR THE HOMELESS 3/	5	5	5	(0)	-5.9%
FINANCIAL AID FOR NEEDY STUDENTS	5,814	6,052	5,845	(207)	-3.4%
HEADSTART	1,235	1,286	1,235	(51)	-3.9%
HIGHER EDUCATION (TRIOS)	219	228	228	0	0.1%
INDIAN EDUCATION (BIA + EDUC)	341	359	332	(27)	-7.5%
Total Low Income Education	12,193	12,697	12,375	(322)	-2.5%
NUTRITION					
COMMODITY SUPPLEMENTAL FOOD PROGRAM	50	52	62	10	19.2%
EMERGENCY FOOD AND SHELTER 3/	114	119	114	(5)	-4.2%
FOOD DONATIONS FOR LOW INCOME GROUPS	199	207	207	0	0.0%
NUTRITION ASSISTANCE TO PUERTO RICO	908	937	825	(112)	-12.0%
TEMPORARY EMERGENCY FOOD ASSISTANCE	50	52	0	(52)	-100.0%
WIC SUPPLEMENTAL FOOD PROGRAM	1,929	2,008	1,961	(47)	-2.3%
Total Nutrition	3,250	3,375	3,169	(206)	-6.1%
HOUSING					
EMERGENCY SHELTER GRANTS 3/	47	48	0	(48)	-100.0%
HOUSING FOR THE ELDERLY & HANDICAPPED 4/	480	500	421	(79)	-15.7%
HOUSING COUNSELING	4	4	0	(4)	-100.0%
HOUSING CONGREGATE SERVICES	5	6	0	(6)	-100.0%
NEHEMIAH HOUSING PROGRAM	20	21	0	(21)	-100.0%
PUBLIC HOUSING OPERATING SUBSIDIES	1,618	1,682	1,694	12	0.7%
RURAL HOUSING INSURANCE FUND 4/	1,845	1,921	550	(1,371)	-71.4%
RURAL HOUSING VOUCHERS	20	0	360	360	100.0%
ADDITIONAL RURAL HOUSING PROGRAMS 5/	50	52	30	(22)	-42.4%
SUBSIDIZED HOUSING 6/	7,165	7,827	7,371	(456)	-5.8%
TRANSITIONAL AND SUPPORTIVE HOUSING 3/	80	83	71	(12)	-14.5%
Total Low Income Housing	11,334	12,144	10,497	(1,647)	-13.6%

HEALTH	CBO FY 1989 ESTIMATED BA	CBO FY 1990 BASELINE BA	FY 1990 PROPOSED BA	DIFFERENCE FROM BASELINE	PERCENT CHANGE
COMMUNITY HEALTH CENTERS	415	432	415	(17)	-4.0%
HEALTH CARE FOR THE HOMELESS 3/	15	16	15	(1)	-5.2%
IMMUNIZATION GRANTS	142	148	138	(10)	-6.6%
INFANT MORTALITY INITIATIVE	21	22	32	10	46.4%
MATERNAL & CHILD HEALTH	554	561	554	(7)	-1.2%
MIGRANT HEALTH	46	48	46	(2)	-4.8%
HOMELESS MENTAL HEALTH 3/	19	20	37	17	87.1%
INDIAN HEALTH	1,023	1,081	1,086	5	0.5%
INDIAN HEALTH FACILITIES	62	64	0	(64)	-100.0%
Total Low Income Health	2,297	2,391	2,323	(68)	-2.9%
EMPLOYMENT					
OLDER AMERICANS EMPLOYMENT	344	358	336	(22)	-6.1%
TRAINING & EMPLOYMENT SERVICES	3,738	3,893	3,858	(35)	-0.9%
Total Low Income Employment	4,082	4,251	4,194	(57)	-1.3%
OTHER					
CHILD WELFARE SERVICES 2/	247	257	483	225	87.7%
COMMUNITY DEVELOPMENT BLOCK GRANT 7/	2,650	2,759	2,650	(109)	-4.0%
COMMUNITY SERVICES BLOCK GRANT	381	396	0	(396)	-100.0%
LEGAL SERVICES	309	321	0	(321)	-100.0%
LOW INCOME ENERGY ASSISTANCE	1,383	1,440	1,100	(340)	-23.6%
LOW INCOME WEATHERIZATION	161	168	0	(168)	-100.0%
REFUGEE ASSISTANCE	382	398	242	(156)	-39.2%
RUNAWAY AND HOMELESS YOUTH	27	28	0	(28)	-100.0%
STATE LEGALIZATION IMPACT ASSISTANCE	665	870	744	(126)	-14.5%
VISTA	26	27	25	(2)	-8.0%
Total Other Low Income Discretionary	6,231	6,664	5,244	(1,420)	-21.3%
TOTAL LOW INCOME DISCRETIONARY	37,090	39,130	35,478	(3,652)	-9.3%
Total Less Subsidized Housing	29,925	31,303	28,107	(3,196)	-10.2%
TOTAL ENTITLEMENT AND DISCRETIONARY	119,060	125,587	119,253	(6,334)	-5.0%
Total less Subsidized Housing	111,895	117,760	111,882	(5,878)	-5.0%

TABLE 2: PROPOSED CHANGES IN LOW INCOME FUNDING, FY 1989 - FY 1990
(Outlays, in millions)

ENTITLEMENTS & MANDATORY SPENDING	CBO FY 1989 ESTIMATED OUTLAYS	OMB FY 1990 BASELINE OUTLAYS 1/	FY 1990 PROPOSED OUTLAYS (in millions)	DIFFERENCE FROM BASELINE	PERCENT CHANGE
AFDC & CHILD SUPPORT	11,315	11,180	10,830	(350)	-3.1%
EARNED INCOME TAX CREDIT	3,809	3,841	3,841	0	0.0%
FOOD STAMPS	12,760	12,788	12,711	(77)	-0.6%
FOSTER CARE & ADOPTION ASSISTANCE 2/	1,037	1,255	904	(351)	-28.0%
HUNGER PREVENTION COMMODITIES	160	160	160	0	0.0%
JOB TRAINING FOR WELFARE RECIPIENTS	0	350	350	0	0.0%
MEDICAID	34,207	37,616	35,961	(1,655)	-4.4%
SOCIAL SERVICES BLOCK GRANT (TITLE XX)	2,689	2,700	2,700	0	0.0%
SUPPLEMENTARY SECURITY INCOME (SSI)	12,489	12,151	12,148	(3)	0.0%
VETERANS PENSIONS	3,737	3,953	3,953	0	0.0%
Total Entitlements	82,203	85,994	83,558	(2,436)	-2.8%

DISCRETIONARY LOW INCOME PROGRAMS EDUCATION	CBO ESTIMATED FY 1989 OUTLAYS	CBO FY 1990 BASELINE OUTLAYS	FY 1990 PROPOSED OUTLAYS	DIFFERENCE FROM BASELINE	PERCENT CHANGE
COMPENSATORY EDUCATION (CHAPTER 1)	4,280	4,545	4,312	(233)	-5.1%
FINANCIAL AID FOR NEEDY STUDENTS	5,615	5,980	6,002	22	0.4%
HUMAN DEVELOPMENT SERVICES 3/	2,492	2,621	2,924	303	11.6%
HIGHER EDUCATION FOR NEEDY STUDENTS 4/	525	569	528	(41)	-7.2%
INDIAN EDUCATION (BIA & DEPT. OF EDUC.)5/	331	361	320	(41)	-11.4%
Total Low Income Education	13,243	14,076	14,086	10	0.1%
NUTRITION					
EMERGENCY FOOD AND SHELTER 6/	119	119	114	(5)	-3.8%
FOOD DONATIONS FOR LOW INCOME GROUPS	198	206	205	(1)	-0.3%
NUTRITION ASSISTANCE TO PUERTO RICO	909	936	835	(101)	-10.8%
TEMPORARY EMERGENCY FOOD ASSISTANCE	50	51	12	(39)	-76.9%
WIC & COMMODITY SUPPLEMENTAL FOOD	1,971	2,055	2,021	(34)	-1.7%
Total Nutrition	3,247	3,367	3,187	(179)	-5.3%
HOUSING					
EMERGENCY SHELTER GRANTS 6/	53	47	38	(9)	-19.1%
HOUSING FOR THE ELDERLY & HANDICAPPED	452	586	NA	NA	NA
HOUSING COUNSELING	4	4	4	(1)	-12.5%
HOUSING CONGREGATE SERVICES	5	5	5	0	0.0%
NEHEMIAH HOUSING PROGRAM	2	6	0	(6)	-100.0%
PUBLIC HOUSING OPERATING SUBSIDIES	1,561	1,646	1,652	6	0.3%
RURAL HOUSING INSURANCE FUND 7/	3,200	3,007	(8)	(3,015)	-100.3%
RURAL HOUSING VOUCHERS	20	18	35	17	92.2%
RURAL HOUSING PROGRAMS 8/	70	68	52	(16)	-23.5%
SUBSIDIZED HOUSING 6/	12,081	12,887	13,610	723	5.6%
TRANSITIONAL AND SUPPORTIVE HOUSING 6/	32	64	31	(33)	-51.6%
Total Low Income Housing	17,480	18,338	15,418	(2,920)	-15.9%

Note: Numbers may not add due to rounding. A (0) figure indicates a funding reduction of between $1 and $500,000, while a 0 may indicate an increase of less than $500,000.

1/ For low income entitlement programs, current services levels are those shown in the OMB baseline as published in Special Analysis A of the Budget of the United States Government. For low income discretionary programs current service levels are those shown in the Congressional Budget Office's preliminary current services baseline as of January 1989. The baseline estimates how much funding would be necessary to maintain FY 1989 levels with adjustments for inflation from FY 1989 to FY 1990.

2/ The administration budget proposes to combine funding for the administrative expenses of the Foster Care and Adoption Assistance programs with funding for Child Welfare Services and the Independent Living program into one discretionary comprehensive Child Welfare Services program administered by the Office of Human Development Services. The proposals would result in a net reduction of $88.4 million in budget authority and a reduction of $68.7 million in outlays for these programs in FY 1990.

3/ These programs are part of the Mckinney Homeless Assistance programs. In FY 89, all of the Mckinney programs received a total appropriation of $378.2 million, or only 60 percent of the $634 million that were authorized for these programs.

4/ The budget proposes a new funding mechanism for construction of housing for the elderly and handicapped. Instead of direct federal loans, HUD would use credit certificates to write down the cost of borrowing on the private market. The number of new units built would fall from 7,921 in FY 1989 to 7,000 in FY 1990. The $421 million listed here is OMB's estimation of the loan equivalent to loan authority from previous years.

5/ These programs included domestic farm labor housing, mutual and self-help housing, very low income housing repair grants and rural housing preservation grants.

6/ The subsidized housing account includes the voucher program and public housing modernization funding. The budget reflects a reduction of $600 million in FY 1990 in public housing modernization funds to $1.0 billion in FY 1990 and an increasing reliance on vouchers.

7/ The Community Development Block Grant program would receive a transfer of $86 million from the Section 312 Rehabilitative Loan Fund, which would be terminated. In addition, CDBG would also receive $50 million in funds recaptured from the cancelled Urban Development Action Grant program. If the transfer were approved by Congress, this would bring the total funding available for CDBG in FY 1990 to $2.786 billion.

HEALTH	CBO ESTIMATED FY 1988 OUTLAYS	CBO FY 1989 BASELINE OUTLAYS	FY 1989 PROPOSED OUTLAYS	DIFFERENCE FROM BASELINE	PERCENT CHANGE
HEALTH CARE SERVICES 9/	1,501	1,530	1,281	(249)	-16.3%
INDIAN HEALTH	1,001	1,062	1,119	57	5.4%
INDIAN HEALTH FACILITIES	76	89	78	(11)	-12.5%
Total Low Income Health	2,578	2,681	2,478	(203)	-7.6%
EMPLOYMENT					
OLDER AMERICANS EMPLOYMENT	334	346	342	(4)	-1.2%
TRAINING & EMPLOYMENT SERVICES	3,757	3,808	3,841	33	0.9%
Total Low Income Employment	4,091	4,154	4,182	28	0.7%
OTHER					
COMMUNITY DEVELOPMENT BLOCK GRANTS	2,939	2,930	3,025	95	3.2%
COMMUNITY SERVICES BLOCK GRANT	390	391	119	(273)	-69.7%
LEGAL SERVICES	311	320	40	(280)	-87.6%
LOW INCOME ENERGY ASSISTANCE	1,386	1,435	1,125	(310)	-21.6%
REFUGEE ASSISTANCE	347	389	287	(102)	-26.2%
STATE LEGALIZATION IMPACT ASSISTANCE	620	940	759	(181)	-19.3%
Total Other Low Income Discretionary	5,993	6,405	5,354	(1,051)	-16.4%
TOTAL LOW INCOME DISCRETIONARY	46,632	49,021	44,705	(4,316)	-8.8%
Total Less Subsidized Housing	34,551	36,134	31,095	(5,039)	-13.9%
TOTAL ENTITLEMENT AND DISCRETIONARY	128,835	135,014	128,263	(6,751)	-5.0%
Total less Subsidized Housing	116,754	122,127	114,653	(7,474)	-6.1%

Note: Numbers may not add due to rounding. A (0) figure indicates a funding reduction of between $1 and $500,000, while a 0 may indicate an increase of less than $500,000.

1/ For low income entitlement programs, current services levels are those shown in the OMB baseline as published in Special Analysis A of the Budget of the United States Government. For low income discretionary programs current service levels are those shown in the Congressional Budget Office's preliminary current services baseline as of January 1989. The baseline estimates how much funding would be necessary to maintain FY 1989 levels with adjustments for inflation from FY 1989 to FY 1990.

2/ The administration budget proposes to combine funding for the administrative expenses of the Foster Care and Adoption Assistance programs with funding for Child Welfare Services and the Independent Living program into one discretionary comprehensive Child Welfare Services program administered by the Office of Human Development Services. The proposals would result in a net reduction of $88.4 million in budget authority and a reduction of $68.7 million in outlays for these programs in FY 1990.

3/ Among the programs in this account are Head Start, Child Welfare Services and Runaway and Homeless Youth.

4/ This account includes special programs for disadvantaged students (TRIOs), for which outlay figures were not available.

5/ Outlay figure for BIA Indian Education is estimated by the Center on Budget and Policy Priorities.

6/ These programs are part of the McKinney Homeless Assistance Act.

7/ An outlay estimate for Housing for the Elderly and Handicapped that is comparable with past years is not available.

8/ The Rural Housing Insurance fund reflects a negative outlay total as a result of the sale of deeply discounted loans. The budget proposes cancelling this program and replacing it with a smaller rural housing voucher program.

9/ These programs included domestic farm labor housing, mutual and self-help housing, very low income housing repair grants and rural housing preservation grants.

10/ This account includes Community Health Centers, the Infant Mortality Initiative, Health Care for the Homeless, Maternal and Child Health Grants, and Migrant Health Centers, among other programs. No program outlay figures were available for these programs.

TABLE 3: CHANGES IN LOW INCOME DISCRETIONARY PROGRAM FUNDING, FY 1981 - FY 1990
(Budget Authority, in millions)

	ACTUAL FY 1981 BA 1/	ACTUAL FY 1989 BA	PROPOSED FY 1990 BA	DIFFERENCE FY90 - FY81	PERCENT CHANGE (after inflation)2/
EDUCATION					
COMPENSATORY EDUCATION (CHAPTER 1)	3,545	4,579	4,730	1,185	-6.0%
EDUCATION FOR THE HOMELESS 3/	0	5	5	5	NA
FINANCIAL AID FOR NEEDY STUDENTS	3,802	5,814	5,845	2,043	8.3%
HEADSTART	814	1,235	1,235	421	6.9%
HIGHER EDUCATION (TRIOS)	160	219	228	68	0.5%
INDIAN EDUCATION (BIA + EDUC)	345	341	332	(13)	-32.2%
Total Low Income Education	8,666	12,193	12,375	3,709	0.6%
NUTRITION					
EMERGENCY FOOD AND SHELTER 3/	0	114	114	114	NA
FOOD DONATIONS FOR LOW INCOME GROUPS	129	207	207	78	13.0%
TEMPORARY EMERGENCY FOOD ASSISTANCE 2/	0	50	0	0	NA
WIC & COMMODITY SUPPLEMENTAL FOOD	927	1,979	2,023	1,096	53.7%
Total Nutrition	1,056	2,350	2,344	1,288	56.4%
HOUSING					
EMERGENCY SHELTER GRANTS 3/	0	47	0	0	NA
HOUSING FOR ELDERLY & HANDICAPPED 2/	797	480	421	(376)	-62.8%
HOUSING COUNSELING	7	4	0	(7)	-100.0%
PUBLIC HOUSING OPERATING SUBSIDIES	1,071	1,618	1,694	623	11.4%
NEHEMIAH HOUSING	0	20	0	0	NA
RURAL HOUSING INSURANCE FUND 2/	3,896	1,845	550	(3,346)	-90.1%
ADDITIONAL RURAL HOUSING PROGRAMS	453	50	390	(63)	-39.4%
SUBSIDIZED HOUSING	30,170	7,165	7,371	(22,799)	-82.8%
TRANSITIONAL HOUSING DEMONSTRATION 3/	0	80	71	71	NA
Total Low Income Housing	36,394	11,309	10,497	(25,897)	-79.7%
HEALTH					
COMMUNITY HEALTH CENTERS	325	415	415	90	-10.1%
HEALTH CARE FOR THE HOMELESS 3/	0	15	15	15	NA
IMMUNIZATION GRANTS	31	142	138	107	213.6%
INFANT MORTALITY INITIATIVE	0	21	32	32	NA
MATERNAL & CHILD HEALTH	457	554	554	98	-14.5%
MIGRANT HEALTH	43	46	46	3	-25.3%
HOMELESS MENTAL HEALTH 3/	0	19	37	37	NA
INDIAN HEALTH	607	1,023	1,086	479	26.1%
INDIAN HEALTH FACILITIES	83	62	0	(83)	-100.0%
Total Low Income Health	1,545	2,297	2,323	777	5.9%
EMPLOYMENT					
OLDER AMERICANS EMPLOYMENT	277	344	336	59	-14.6%
TRAINING AND EMPLOYMENT SERVICES	9,106	3,738	3,858	(5,248)	-70.2%
Total Low Income Employment	9,383	4,082	4,194	(5,189)	-68.5%

OTHER	ACTUAL FY 1981 BA 1/	ACTUAL FY 1989 BA	PROPOSED FY 1990 BA	DIFFERENCE FY90 - FY81	PERCENT CHANGE (after inflation)2/
COMMUNITY DEVELOPMENT BLOCK GRANT	3,695	2,650	2,650	(1,045)	-49.5%
COMMUNITY SERVICES BLOCK GRANT	525	381	0	(525)	-100.0%
LEGAL SERVICES	321	309	0	(321)	-100.0%
LOW INCOME ENERGY ASSISTANCE	1,850	1,383	1,100	(750)	-58.1%
LOW INCOME WEATHERIZATION	175	161	0	(175)	-100.0%
Total Other Low Income Discretionary	6,566	4,884	3,750	(2,816)	-59.8%
TOTAL LOW INCOME DISCRETIONARY	63,610	37,115	35,482	(28,128)	-60.7%
Total Less Subsidized Housing	33,440	29,950	28,111	(5,329)	-40.8%

1/ FY 1981 budget authority levels at the start of the Reagan Administration, prior to rescissions implemented by the administration in the spring of 1981. The numbers in this column are not adjusted for inflation.

2/ Inflation from FY 1981 to FY 1989 is calculated using the GNP deflator and assumes a 4.1 percent inflation factor for FY 90, as estimated by CBO. Total inflation adjustment for FY 1981 to FY 1990 is 41.96 percent.

3/ These programs are part of the McKinney Homeless Assistance Act.